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ABSTRACT

This paper evaluates the equity dimensions of a grant-in-aid system based on the Resource Cost Model (RCM), as proposed by the Illinois State Board of Education. The first section is an independent evaluation of the conceptual and legal aspects of the RCM, focusing on both the weaknesses and the strengths of the model. In the second section, an initial empirical investigation of the RMC distribution is described. The third section addresses the central purpose of the study: the conduct of the equity tests. In addition, reasons are provided for the abandonment of the older dispersion tests as not appropriate with the RCM model. In the fourth section, contrasts are drawn between the RCM and other reform proposals currently within the Illinois General Assembly. The conclusion suggests that if the RCM were funded at the levels indicated by the board's proposal, progress would be made toward equity goals. Nine illustrative tables are provided to complement the text, and an appendix offers the rationale for the reforms, as cited by the Governor of Illinois and the State Superintendent of Education respectively. (TE)

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INTRODUCTION

For over a decade the Center for the Study of Educational Finance at ISU has been concerned with the illusive goal of attaining equal educational opportunity in the K-12 educational system of the state. Many empirical and normative studies have been conducted by the Center dealing with "equity" goals in school finance.[1] It therefore seemed natural and appropriate that when the Resource Cost Model (RCM) was proposed by the Illinois State Board of Education, the Board staff would request an "equity" study on the RCM from this Center. This has not proven to be an easy task. The RCM distribution system is quite sophisticated, indeed it is almost a quantum leap from the relatively simple grant-in-aid systems of the past in Illinois to the RCM. It is therefore also not a straightforward or simple task to evaluate the equity dimensions of the proposed new grant-in-aid system. We cannot claim to have accomplished a definitive work on equity aspects of the RCM in this brief paper. However, the legislative process will not wait upon such a definitive study, and we must, as is so often the case, go with what we have on the subject.

This paper is structured under four headings. First we shall discuss the conceptual and legal aspects of the RCM. This section is not, however, a summary or abstract of what has already been written by the Board staff about the RCM, but rather is an independent evaluation of why the Illinois General Assembly should be interested in the RCM in the first place. Since it is an independent examination, we have tried to indicate both the weaknesses and the strengths of the RCM approach as we see them. Second, we describe an initial early empirical investigation of the RCM distribution, which has some equity aspects, but was really intended to simply familiarize Center personnel with some aspects of the RCM distribution. One major problem with this study, and one which held up publication for quite some time, was the difficulty of nailing down which RCM model and which RCM distribution one wanted to evaluate for equity goals. The RCM keeps changing as new dimensions are added to it. This is not an unfamiliar problem and there is nothing much one can do about it since all proposed legislation undergoes a long developmental period. Third, we proceed to the central purpose of the study—the conduct of the equity tests. Here we also discuss equity tests that we did not conduct, and explain why we thought those tests were inappropriate for the RCM grant-in-aid system. Fourth, we draw some contrasts between the RCM and other reform proposals which are currently going forward in the Illinois General Assembly. This fourth section was not within the original charge given to us by the Board staff, but since the main purpose of many Center publications has been to assist decision-making in both the General Assembly and the Courts, we considered it within our prerogative to add this section to the paper. Finally, we have attempted to draw some general conclusions from this investigation of the RCM.

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I. CONCEPTUAL AND LEGAL ASPECTS OF THE RCM

In our judgment the RCM is directed more toward the school finance goals of "need" and "adequacy" than it is toward the goal of "equity." This is perfectly appropriate, indeed, it may well be in keeping with current trends in school finance research. Although the goal of "equity" can never be overlooked, it would be hard to argue that it is "on the front burner" in the last few years. In any event, attention to both the differential needs of students and the differential needs of school districts has long been a task toward which school finance researchers have also turned their time and energy. Measuring differential need was a central purpose in the efforts of the late Paul Mort and was also a main thrust in the National Education Finance Project under R. L. Johns.[2] Therefore, it has an ancient and honorable tradition in school finance research. "Need" has also been diligently pursued in the courts, but with only limited success. In an early 1969 case in Illinois, McInnis vs. Ogilvie, the Illinois Supreme Court held that the distribution of state aid could not be tested in terms of a "needs" criterion since the measurement of educational "needs" was not precise enough to admit of such a test.[3] In a very real sense the RCM is a direct attempt by the state to answer the court in McInnis and represents a very strong attempt to measure objectively both individual student and district needs. The details of how this is done have been promulgated to the districts by the Board staff.[4] Essentially the procedure consists of two components: the PCD (program cost differentials) and the CEI (the cost of education index). In the PCD process the RCM Committee--composed of educators from districts, legislative and gubernatorial staff, and Illinois Board of Education staff--indicates, for over 140 educational programs, what they think are adequate resources to carry out these programs, including the desired teacher/pupil ratio for each program, instructional support costs, administration costs, etc. This is an "adequacy" action that has major legal implications which we shall discuss in a moment. For school finance purposes it need be noted that this means there is no one single foundation level for Illinois, as in older grant-in-aid systems, but that a different foundation shall exist for each and every school system in the state. These different foundation levels reflect the different pupil needs between school districts.

The key operative word here, however, is "reflects." Under the PCD component within the RCM, the state, through the State Board of Education, is not requiring that a particular mix of the 140-plus educational programs must exist in any given school district in Illinois. It is merely saying that if any of these programs does currently exist in the district then the state, through the Board staff, will determine what resources will be needed to adequately do the job in each program. Considerable amount of local control remains with the district under RCM, since the span of offerings is still left to local decision. However, at least in our view, the local district under the RCM does give up the decision as to what level of resources is adequate for a given program. That decision, under the RCM, has been assumed by the state. The legal rationale for that assumption must be that the state, and not the district, has the responsibility to provide an adequate level of educational services for all students in the state. Should the RCM be passed, and the system then challenged in the courts, we would expect the state to defend the RCM by an argument that the education article in the state constitution requires

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the state, and not the local district, to determine what constitutes an "adequate" level of educational services.

In fact, from an equity point of view, the courts at least at the district and the appeals level might hold that the state had not gone far enough with the RCM. In both West Virginia and in the State of Washington, the supreme courts of those states have determined not only an adequate level of funding but also what curricular offerings must be provided by all school districts to be consistent with the state obligation as spelled out in the state constitution.[5] The RCM does not go that far, but it does edge in that direction by setting resource levels for educational programs, if those programs currently exist in the district. There is also an encouragement to offer non-existing programs as long as they are within the coverage of RCM, since the district is paid on the basis of only what currently is in being. State aid under the RCM would be paid on the basis of current educational programs, not "future" or "desirable" educational programs. That is a major limitation that we will turn to at the end of the paper. It could be argued, however, that if one couples the RCM with other supervision and recognition requirements that exist in other regulations and statutes, then the State Board of Education does set an "adequate" or "basic" educational program in each local school district. If the Board is required under some future interpretation of the education article in the Illinois Constitution of 1970 to do this, RCM will have served it well.

Other states approach this same task of differentiating educational support by student needs through a weighting process which attaches cost differentials to educational programs in their general grant-in-aid formula.[6] RCM advocates claim that their state level standing committee structures are more flexible and more inclusive than the older student weighting process, and we are inclined to accept their arguments. However, it should be pointed out that since this elaborate committee structure must be maintained over long periods of time, the cost to the state will also be high for this increased flexibility and currency in the allocation systems. However, high administration costs for the RCM process itself should not be a major cause of rejection of the proposed process. Nor should the complexity of the RCM process alone be a cause for rejection. This Center has repeatedly taken the position that simple allocation systems are appropriate only for simple purposes, and probably for a more simple age now long since past in Illinois. The RCM seeks to accomplish many purposes; therefore, it will be both complex and expensive. But then so will any other system that also tries to accomplish multiple goals in a complex society.

The other component of RCM is the CEI (Cost of Education Index). This is a cost adjustment process basically similar to a cost-of-living index. Cost-of-living adjustments come in two forms--adjustments through time versus adjustments through space. The CEI in the PCD is of the latter variation. Essentially it is a technique for determining cost differentials on many things which the local school boards must buy, but the cost of which are beyond the ability of local boards to control. It represents a realization that the cost of doing business in DuPage County is not the same as the cost of doing business in Massac County. Illinois is a very large state with considerable variation in costs.

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The particular approach used attempts to factor out all cost differences which are due to local board choices over the level of services provided and then leave cost differences to be offset by state aid on that portion of the variance in costs which is due to uncontrollable factors. The notion has general acceptance in school finance circles; that is to say, it has general face validity. The problem is with the reliability of the indexes generated. Unfortunately, a different CEI index will be generated for each different regression model that underlies the computational procedure. Given the degree of sophistication available to the larger and wealthier school districts in the state, it will not take them long to discover that if they don't like their particular index they may be able to promote a rival regression model and come up with a different CEI index. This lack of reliability may be disconcerting to the General Assembly which tends to think of indexes as being more stable than that. The courts might also have some trouble with the CEI, since conflicting "expert testimony" would be introduced should the RCM ever have to be litigated.[7] But the CEI does have considerable political support in the larger northern school districts of the state; so much so that there is talk of trying to salvage the CEI should it become obvious that the whole RCM package is not going to see the light of statutory day.

II. THE STATE BOARD'S GRANT-IN-AID MODEL OF SEPTEMBER 6TH

It is technically correct to assert that the RCM is, in and of itself, not a grant-in-aid system. In fact, one of its more interesting uses is not as a grant-in-aid system at all but rather to study cost variations around an "expected" cost. In this latter usage it is more of a tool to study "efficiency" than to study either "adequacy" or "equity." However, at least in Illinois, the attention of the General Assembly, and perhaps later of the Courts should it become law, is on its usage in a general purpose grant-in-aid system. On September 6, 1984, the former Illinois State Superintendent, Donald Gill, introduced a grant-in-aid system using the RCM in the following algebraic form:

$$G = RCM - R(.90V + .10I)$$

The model as presented on September 6th is in traditional Strayer-Haig form; however, there is no single foundation level. Rather, the RCM level, computed by the Board staff for each school district in the state, replaces the foundation level. A local contribution is required, and these values are set at 1.67 for elementary districts, 1.39 for high school districts, and 2.75 for unit districts. It will be noted that the combined values for dual districts are higher than the value for unit districts. This can be viewed either as a penalty for remaining a dual district or as an encouragement for becoming a unit district. Some dual district superintendents have objected to this, as might be expected, but when they suggest this is something new, they demonstrate very short memories. Up until 1973, with the adoption of the "resource equalizer" formula, the state grant-in-aid formulas in Illinois have always been arranged so that being a unit district was preferable to being a dual district. This represented both an educational judgment and an economic

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judgment that dual district structures were inferior to unit district structures. The argument is too long to go into in this paper, but essentially the educational side of the argument turns on difficulties in articulation between the separate high school district and the separate sending elementary districts with regard to curriculum, counseling, etc., etc. The economic side of the argument turns on the notion of "economies of scale" which finds many duals (though not all) to be too small to be economically efficient.[8] It would be unfair to attack the RCM on these grounds unless, of course, one thought the policy of the State of Illinois right up to 1973 was unacceptable. This Center is long on record as believing the dual district structure in Illinois is not conducive to good public education and also on record as believing that there are entirely too many school districts in Illinois, no matter what is eventually done about the dual district structure.

The model of September 6th also used a measure of local district wealth that combined property valuations with personal income in the ratio 90/10. This also is an argument too long to go into in this paper, but essentially it rests upon the notion that property valuations alone are no longer a sufficiently accurate measure of wealth, since so many individuals have their wealth in a form other than property. The Center has also supported this position since 1969, and continues to believe that a combined measure of income and property valuations would be a better measure of wealth than property valuations alone. There are admittedly a lot of problems with obtaining a yearly accurate income figure for each school district and with determining just what the property/income ratio mixture should be. However, there are a number of studies which bear upon these questions.[9] Finally, the model of September 6th was set to limit increases in state aid to 50 percent in any given year, both to reduce the total cost of the project to the state and to eliminate "windfall" gains.

Table 1 is simply a reproduction of the table distributed to the Board on September 6th. Total cost of this model would have been slightly in excess of 2.5 billion dollars which would have constituted an increase of 708 million in new state general aid dollars for K-12 education. If one assumes that a "save harmless" would have been needed for the passage of this model, then slightly over 26 million more would have had to have been added to the passage price. From Table 1 it is apparent that the model of September 6th would have shifted the distribution of dollars toward Chicago and Downstate and away from "other Cook and Collar." The September 6th model also shifts funds more strongly away from high school districts relative to elementaries and unit districts.

The first empirical task for the Center was to provide an alternative to the September 6th model. This will be called Model A. The Center's Model A gives up the notion of a mandated or required tax rate and substitutes for that notion a purely computational tax rate. A computational tax rate, rather than a required or mandated tax rate, is currently used in the present Illinois distributional system and has been since 1973. However, the computational tax rate used in Model A is scaled so that the values can be higher than 1.69, 1.39, and 2.75 for

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income wealthy districts and lower than those values for income poor districts. The rationale for this is that it is easier for income wealthy districts to exert greater tax effort than it is for income poor school districts. This rationale would appear to be justified on the basis of studies which have indicated that wealthier districts tend to pass referenda far more easily than income poor districts.[10] The 10% income factor has been retained in Model A as it was in the September 6th model. It should be noted that in both models quite different state aid distributions could be obtained by increasing the weight of the income factor.

The formula for Model A is as follows:

$$G = RCM - CR(V)$$

where RCM is the "adequate level of funding as before and V is the assessed valuation of the district. The general form is again Strayer-Haig; however, not only is the tax rate simply computational, unlike traditional Strayer-Haig, but the rate is also scaled by the following mechanism:

$$CR = R[1 - [.10(SI - DI)/SI]]$$

where the R is the tax rate values of 1.69. 1.39, and 2.75, as before, but now scaled according to the relationship of state income (SI) to district income (DI). In effect, high income districts are asked to make a greater effort under this formula than are low income districts.

Table 2 gives the results of this simulation in terms that can be compared to the Board staff's simulations for the model of September 6th. Table 2 is without the 50% increase limitation, and therefore one would expect the costs to the state to be higher than with such a limitation. The total cost of Model A to the state without a 50% limitation is 3.143 billion, which would necessitate an increase of 1.313 billion in new dollars and probably provide St. John's Hospital in Springfield with many new cases of cardiac arrest. Under Model A (without the 50% limit), the downstate area would fare less well than under the model of September 6th. High school districts would also fare less well under Model A than under September 6th.

Table 3 gives the results of a simulation with a 50% limitation that is probably more comparable with September 6th than is the "fully funded" model. On this showing, the City of Chicago does slightly better under the Center's Model A-50 than on the Board's model of September 6th, but the "other Cook and Collar" districts do not do as well. Also, high schools do not do as well on the Center's model as they do on September 6th. Model A-50 would cost the state 2.493 billion dollars or a new state dollar input of 664,482,775. At this point, we were preparing to submit the September 6th model and the Center's A-50 model to equity tests when the State Board modified its original proposed grant-in-aid system. We then obtained new data from Springfield and started through the equity tests with a new model which is described in the next section.

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III. THE MODEL OF NOVEMBER 25 AND ALTERNATIVE MODELS

On November 25, the Board staff announced three modifications in the RCM model and shortly thereafter released print-outs to all districts in the state showing what they could expect to receive under the proposed RCM grant-in-aid system. The three modifications were that the income factor was dropped in the calculation of local wealth, a hold-harmless factor was added to the formula, and a flat grant was added to the formula. With regard to the income factor, the Board did not retreat from adding an income factor "in the long term" but stated that present data were not specific enough to warrant current use. The hold-harmless limited the loss of a district to 10% a year, and the flat grant was calculated as a minimum of 7% of the RCM determined cost for any district.

We resolved at this point to pose two alternative models against the November 25th model. These are designated as A-50 and B-50 in the tables which follow. A-50 is the Center's model which retains the 10% income factor and scales the computational tax rate according to income. B-50 is identical to the Board's November 26 model with one important exception. B-50 retains the current notion of compensating districts for high concentrations of poverty-impacted school children. A factor for compensatory education is included in the Board's November 26th model. However, that factor weights over a threshold level and does not provide additional dollars for additional concentrations of poverty-impacted school children. The concentration notion continues to have many loyal supporters in the state for a number of reasons. Not the least of these reasons is that it is seen as partially offsetting the loss of upper income families in large urban areas. As upper income families move to the more affluent suburbs, the concentration of lower income families and children increase in a number of central cities and some working-class suburbs. The concentration notion partially compensates for this demographic movement. The Center's Model B-50 multiplies the RCM factor for each district by the ratio of the TWADA count to the ADA count, thus retaining the poverty concentration notion of the present formula. The balance of the tables in this report then compare four different grant-in-aid systems, e.g., the present allocation system, designated the "Resource Equalizer," and three alternatives: the Board's November 26th proposal, the Center's Model A-50 (which retains the income factor), and the Center's B-50 (which retains the weighting for poverty concentration). A-50 and B-50 contain no hold-harmless provisions as simulated, although those provisions could be added.

Before proceeding to those tables, however, we must discuss the matter of which equity tests are appropriate for the RCM as proposed by the Board and the variations on the RCM as investigated by the Center. Two types of equity tests have been used throughout the United States when investigating new grant-in-aid systems or indeed evaluating old grant-in-aid systems. The first test centers on the dispersion of expenditures around the mean expenditure or alternately may concentrate only on those expenditures below the median.[11] The assumption here is that less dispersion is preferable to more dispersion in expenditure levels between school districts. This assumption may be tenable if all revenues intended

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for special need populations have been excluded from the revenue figures prior to application of the tests. That exclusion is in keeping with many court decisions from Serrano vs. Priest to the present.[12] However, when the RCM model is used and the categorical grants are all, or mostly all, absorbed into the general grant-in-aid formula, it does not make sense to apply the usual tests of dispersion, e.g., the coefficient of variation and the McLoone Index. Indeed, one could fairly argue that under the RCM one should have greater expenditure level differences between school districts since the RCM is more sensitive to different district needs than was the older system. This situation will pose a different dilemma for the courts if and when the RCM is ever tested in litigation. In a real sense the RCM is not the RCM if the elements intended for special education, vocational education, etc., etc. are withdrawn from the calculations. We have therefore abandoned the older dispersion tests as not being appropriate with the RCM model.

The second set of equity tests which have been used in many studies throughout the United States are based on association not dispersion. Specifically, these are tests based upon the association of expenditures with some measure of wealth, usually property valuations or income. On the legal side they are tests of "fiscal neutrality" or "wealth neutrality" and they sprang initially from Serrano vs. Priest with considerable help from the works of Coon, Clune and Sugarman.[13] The court in Serrano had said that at least in educational finance in the United States: ". . . the rich shall not get richer and the poor shall not get poorer." This was expanded later in Horton vs. Meskill[14] and a number of other cases into a "rule of law" which holds that expenditures shall not be a function of local district wealth but only a function of the wealth of the state. Not all states have accepted this dictum but enough have to make it usable in almost all equity evaluations, no matter where they are conducted. In some jurisdictions a variation of that dictum has been accepted which states that expenditures shall not be a function of wealth, with tax rate held constant. In the school finance and economics of education literature, this second configuration is called "conditional" wealth neutrality.[15]

We believe that simple and conditional wealth neutrality tests are still appropriate for RCM-based distribution systems, and we have conducted those tests on the three simulations plus the existing distribution in Illinois. Specifically, we have added the state grant to the monies locally raised and related that sum to either property valuation per pupil or to income per pupil. This can be done by several different statistical techniques. Some investigators prefer simple and partial correlation coefficients, some use Beta weights, and some use regression coefficients. We placed both variables to be related into the logs and then compared the regression coefficients. Some would refer to that process as comparing simple and net elasticities.

Table 4 shows the cost to the state of the four different models of grants-in-aid. There is not much difference in the cost of the three new proposed alternatives to the state. The Center's B-50 is the most expensive of the three but not by much. All represent considerable increases over the present level of funding. So much so that it can be doubted if any of the three new proposed grant-in-aid systems could be implemented

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in a single year. Calculations that show a need for at least a half a billion dollars are no surprise to us. Studies using quite different techniques generally reach the conclusion that Illinois K-12 education has drifted slowly downward from about 1976-77 or 77-78 to the present time, and that the result is we are now about a half a billion behind in adequately funding the public schools.[16] Although the General Assembly will be hesitant to endorse a funding system extending over multiple years, there may simply be no other practical way to catch up once one is so far behind. There is a difference in the way the three types of districts are treated under the various proposals. The Center's A-50 model gives a larger share of state aid to unit districts.

Table 5 shows the wealth neutrality tests using the regression coefficients as a measure of slope. Since both variables are in the logs, the regression coefficients can be compared to one another. The lower the value of the regression coefficient, the closer the approach to wealth neutrality, that is, the less expenditures are a function of local district wealth. The good news here is that all three proposed distributions would bring the state closer to wealth neutrality than the present Resource Equalizer formula. However, this may not be a fair test of the Resource Equalizer formula because of course the same amount of state aid is not being used in all four allocation systems. There is a different kind of test that could be used in which all four systems would be forced to distribute the same amount of state dollars and then observe which system would bring one closer to wealth neutrality. However, it is reassuring to know that any of the three systems, if enacted, would be an improvement over what we have now relative to the attainment of equity goals. If there is a winner here it is probably the Center's B-50 proposal (which retains the poverty concentration weighting), but that is true only with regard to dual districts. The Board's proposal yields a better value for unit districts. In fact, the negative sign on the regression coefficients indicates that as far as unit districts are concerned, any of the three new alternatives will take us actually beyond wealth neutrality and slightly into a condition of compensatory education. That is, under any of the RCM-based distribution systems, one goes beyond wealth neutrality and into a condition in which property valuation poor districts would on the average receive more state dollars than property valuation rich districts. Table 5 is probably worth the cost of this study to the proponents of RCM. It would also be useful in a court of law should RCM ever be litigated. Table 6 adds very little new information. The tests using conditional wealth neutrality, that is, holding tax rate constant, show the same results as simple wealth neutrality, e.g., any of the proposed RCM distributions will improve the situation and there is not much difference between the proposals although B-50 again has a slight edge.

Tables 7 and 8 introduce income as a measure of local district wealth. Probably the most striking thing here is with regard to the Board's proposal. Even though income has been removed from the Board's proposal, it does very well on equity tests where income is used as a measure of wealth. That is particularly true where conditional wealth neutrality is being used rather than simple wealth neutrality. Also striking is the fact that all the coefficients for income in Table 8,

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with one exception, are negative when income is used as a measure of wealth. Apparently RCM will result in a strong compensatory effect if income is counted as a measure of wealth. The Center's B-50 model, retaining as it does the poverty concentration weighting, doesn't do all that much better than the original Board proposal when income is used as a measure of district wealth. B-50 might well treat groups of school districts differently than the Board's proposal, but that type of analysis was not carried out here. Had time permitted, an analysis of the distributions in terms of central cities, suburbs, rural districts, etc. might have revealed more than the overall equity tests.

Table 9 is labelled "efficiency of formula." This is not strictly speaking a test of wealth neutrality. It is simply the relation of the state aid distribution to wealth measured as property valuation. Many years ago this relationship was used as a measure of "equity" but the omission of the funds locally raised caused it to yield in interstate comparisons some misleading results. Still, it is useful, and can sometimes indicate what would happen if the funding systems were stocked with the same amounts of state aid. Table 9 makes it clear that both of the Center's models would distribute more state funds to property poor districts than either the present system or the Board's recommendations. The larger the figure here, the more the system puts funds in poor districts. In fact, on this showing the present Resource Equalizer has a slight edge on the Board's RCM proposal. This suggests, but does not prove, that if given the same amount of funds to distribute, the Resource Equalizer might out-perform the RCM relative to equity goals.

The equity testing performed in Tables 5 through 8 provides some reassurance to decision-makers that if they buy the RCM they will not be buying something that will greatly damage the equity situation in the state. That reassurance is needed since the equity record of the state since 1976 or 1977 is not very good. However, it must be clearly understood that this improvement in equity with the RCM is primarily the effect of introducing such a large amount of new state money into the situation. In point of fact, it would be difficult not to improve the equity situation once one had brought something over a half a billion in new state dollars into the K-12 distribution. It is probably theoretically possible to introduce all that new money into the system and not improve the equity situation, but it would take a most perverse formula to do it, and the RCM is not at all that perverse. However, an RCM system adopted, but then not fully funded, might become quite perverse, and we shall return to that thought at the conclusion of the paper.

IV. THE RCM IN CONTRAST WITH OTHER REFORMS

There is an old saying that "a rising tide lifts all ships." The educational reform tide is certainly "in," and there seem to be quite a lot of ships to be raised. One wonders if the RCM would not have had a better chance a few years ago when there were not as many ships waiting in the harbor. Given not only the relatively high price of the RCM, but also the price of some of the competing reform packages in Illinois, it

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seems inevitable that the legislature will have to make some choices among the naval vessels now awaiting their attention. This section will briefly review three of those reform proposals and contrast them with the kind of finance reform that the RCM seeks to accomplish. The three reform proposals are: (a) the Illinois Commission on the Improvement of Elementary and Secondary Education, which will be referred to as "Berman-Mulcahey"; (b) the Illinois Project for School Reform, which will be referred to as "Bakalis group"; and (c) some limited comment on what has emerged from the Governor's office.[17] It is to be emphasized that these are not the only Illinois reform proposals contending in the field. They are merely what the Center had access to at the time this paper was written. We shall briefly describe these reform proposals, indicate what seems, at least to us, to be their major thrust, and then indicate the cost of parts of the proposal, if known. Finally, and perhaps most importantly, we shall contrast these proposals with the RCM reform proposal.

Serious attention will likely be given by the legislature to "Berman-Mulcahey" if only because twelve legislators, some with considerable educational experience and reputation, served on this Commission. "Berman-Mulcahey" is a package of reforms rather than one single reform, but it has three major thrusts: (a) upgrading the teaching profession by raising their salaries and by increasing the standards required both to enter and to remain in that profession; (b) providing for extensive retraining of school administrators, especially principals; and (c) providing for remediation for students who test below grade levels. The heavy expenditure items are in raising teacher salaries which would cost 80 plus million in FY86, 171 plus in FY87, and 274 million plus in FY88. The remediation of students testing below grade level is also relatively expensive, priced at 113 million plus in FY87 and about the same level in FY88. There are some other items not exactly cheap in "Berman-Mulcahey" such as the provision for full-day kindergarten and admission to kindergarten on readiness before age 5 which is priced at 86 million in FY86, 100 million plus in FY87, and about the same in FY88. As one can see, the Berman-Mulcahey package is realistically phased in over a period of three years. Drafted by legislators, this is a particularly strong reform package with individual elements in it that will appeal to different publics and different interest groups.

There are some details that still need to be provided by the authors of the Berman-Mulcahey package such as just how the funds to increase beginning teacher salaries will be transmitted to school districts, e.g., no formula is indicated for this purpose. Also one is left wondering what will be the procedure for getting remediation funds to schools, since no allocation system is indicated there as well. There are implementation questions that have to be worked out concerning the "Leadership Academies" and the administrator retraining process that is required. However, it may well be that this sort of detail should not be in a Commission report but rather left to specialists who have more information on such subjects. Also, some of this structure, that still needs to be provided, will doubtless come later in the bill-drafting process. All in all, it is a strong reform package and at least some of it will probably go into statute. While no equity simulation has ever been done

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on Berman-Mulcahey that the Center knows about, we would be willing to hazard a guess that the total effect of Berman-Mulcahey is quite beneficial to equity goals in Illinois. Certainly the student remediation program should help attain equity goals in the state. If the assistance to low salary teachers is drafted with an eye to accomplishing equity goals that will be beneficial as well. Given the known political philosophy of some of its authors, it is doubtful that poor school districts will be left out in Berman-Mulcahey.

The second reform package, that of the Bakalis group, is a little harder to comment upon since we did not have full financial information available to us at the time this section was written. The central thrust of the group is, however, very clear from the documents available to us. The intent is to provide more flexibility and creativity in the public school structure including more flexibility in the funding apparatus which underlies the public schools. Like Berman-Mulcahey, there is an attempt here to upgrade the teaching profession both in terms of pay and in terms of training. The Bakalis group does this by proposing to extend teacher contracts to a full 12 months. This is, of course, the big ticket item, and in the documents available to us as this was written, the cost was not indicated. Perhaps more importantly, it was not indicated how much of this would be picked up by local districts and how much by the state. Presumably this would be met by an increase in state aid, but how much and how distributed are not specified. The Bakalis group does specify several different kinds of competitive grants which would hopefully introduce new ideas and new methods into K-12 education. The Center has also commented upon this need for "venture capital" in one of its publications.[18] The Bakalis group does us a service in pointing out that entitlement formulas, no matter how sophisticated, will not introduce many new ideas into education. However, unless special care is taken, competitive grants tend to go to large school districts and wealthy school districts, and not to poor school districts and small school districts. The reason is simply that the small districts and the poor districts rarely have enough administrative manpower to get quality proposals written and in on time.

No equity analysis of the Bakalis group proposals has been done to our knowledge. Even a cursory reading of their proposals, however, brings far more equity questions to mind than is the case with Berman-Mulcahey. For example, the Bakalis group reintroduces a voucher system not seriously discussed in Illinois since the days of the Ogilvie administration.[19] Moreover, this voucher is not to be funded by new money, but by a cut of 5% in current public school appropriations. There have always been equity problems with voucher systems which often end up providing choice to the wealthy, but little choice to the poor. An "after school project" is also proposed by the Bakalis group which is to be supported by a tuition charge with no indication of what happens to students who cannot afford the tuition charge. There is also a "merit school" proposal that could end up sending funds to wealthy districts but little to poor districts. The strongest part of the Bakalis group proposals may lie in the business-school partnerships that are advanced. However, even here no seed money is provided from state sources, and one gets the impression that most of the partnerships could end up in wealthy districts.

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The Center has expressed these and other equity reservations to the Bakalis group.

The Governor's office in Illinois, unlike the Governor's office in a good many other states, usually takes a reactive role rather than a proactive role in educational reform.[20] One would have to go back over a decade to the last days of the Ogilvie administration to find examples of leadership from the Governor's office in matters of K-12 reform. That does not mean, for one minute, however, that the views and opinions of the executive office are not important for school finance reform in Illinois.* To the contrary, given the type of veto available to the Illinois Governor, the values held by him and by his staff are extremely important. On occasion the Governor's office will depart from this reactive role, usually by putting forward a relatively small and inexpensive reform. The initiative for a small teacher recognition program came from the Governor's office a short time ago. More recently, the Governor has proposed to put approximately 20 million into strengthening the 17 regional teacher centers in the state. The Governor's office has also from time to time shown interest in math and science programs and also in vocational education. At the time this was written, the Governor was in the process of launching his "Build Illinois" program, and his staff has indicated that there was a role for K-12 education in that process. However, no details were available to the Center. Whatever does eventually emerge from the Governor's office, it is sure to stress the relationship between education and economic growth.

How does the RCM fit into all this reform activity? Possibly the greatest disadvantage the RCM now has is coming on the stage at this time in the role of upgrading what already exists in Illinois K-12 education. Berman-Mulcahey, Bakalis, and even the Governor are thinking not in terms of "adequacy" but in terms of "change." Furthermore, they want specific changes for the money they are willing to put forth. The mechanisms of the Illinois reform groups are all categorical grants with a great many strings attached to those grants. This is understandable. The reform groups want to be sure that they get their monies worth. To do that, they will specify the type of reform they want, write it into detailed statute, and provide for policing the flow of money so that they are sure the funds are spent in the local districts for the reforms they had in mind. By contrast, RCM moves in an entirely opposite direction. RCM stresses the importance of general purpose grants, and in fact, folds in most of the now existing categorical grants into a single comprehensive state grant. RCM places great stress on professional educational judgment. The entire process of setting the RCM levels for each district and constructing the program cost differentials is through informed professional judgment. To the credit of RCM, this is not just professional judgment in Springfield, but through their committee structures they have tapped professional judgment in the field as well. By contrast, the reform groups seek to at least provide direction, if not direct marching orders, to the educational professionals. To over-dramatize, the RCM proposal is the education profession saying, "trust us, we will tell you what is adequate" and the reform groups saying, "Sorry, we can't trust you that much, let us indicate some priorities for you." On this showing the reform groups may well win, since education may indeed be too import to entrust solely to the professionals.

*See Appendix A for an initiative outlined by Governor Thompson on February 27th and a statement by the new Illinois State Superintendent, Ted Sanders.

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RCM is also relatively complicated. As we have indicated above, no apology need be made for that. When one tries to accomplish many goals with a funding structure, it will always become complicated. By contrast, the reform groups offer single shot reforms that are simple and easy to understand. However, here appearances could be misleading. As we have indicated, there is a good deal of detail still missing from these reform proposals, and they could become much more complicated as they move to bill-drafting stage. Many of the rough spots have been polished out of RCM through long hours of committee work and high quality staff assistance. As it stands, RCM is a well-oiled and finely-tuned machine. The reform groups are not long on polish, but they are long on creative ideas that catch the public's eye. One admires a machine, but it is difficult to get highly motivated by one, or to stimulate any great loyalties to it.

Legislatively, the reform packages have strong advantages. In the first place, some of the packages were shaped from the first with an eye to legislative passage. They are also bundles of reforms which contain a number of "throw-aways" that the authors know will not fly, but which can be traded for other items which they really want. RCM is not of that nature. Like most machines, it could operate minus some of its parts, but it would not operate very well. From the legal point of view, however, RCM may well have an advantage. In fact, at least in our judgment, the best thing that could happen now for the RCM advocates would be a suit against the new superintendent alleging that the present K-12 funding system is repugnant to the state constitution. The Board and Superintendent would then be in a position to say, "Yes, we know the present system is unconstitutional, and here is the solution to this problem." If it wasn't for a possible charge of collusion, the new superintendent might be well advised to go stimulate such a suit. A decision by the Illinois Supreme Court that the education article of the 1970 Constitution did require the state to provide an "adequate" education would set the stage for serious legislative consideration of the RCM proposal. However, it is a long and hard road to that legal situation as pointed out by a recent doctoral dissertation at Illinois State University.[21]

One gets the distinct impression that the timing is somehow wrong with RCM. In a sense, RCM is a child of the school finance reform era of the 1970s and not the curriculum and professional personnel reform era of the 1980s. However, it could well be an idea whose time is past, but an idea whose time could come again. We suspect that RCM has a good deal of staying power. Reform groups come and go and while they may accomplish a great deal in a short time, they do not have great staying power. Even dedicated legislators, and Illinois fortunately has many, cannot remain tied up with educational reform continually. By contrast, the professionals who have learned how to make RCM work will be around for a long time. We also get the impression that RCM is slowly but surely gaining more advocates in professional education ranks.

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CONCLUSION

Sometimes, in attempting to work for greater equality of educational opportunity in Illinois, and in trying to reach related school finance equity goals, one begins to feel like the last of the Antonine Emperors of Rome. You know you cannot long hold off the Germanic tribes on the banks of the Rhine, the Goths and Vandals across the Danube, and the Persians on the far share of the Tigris. This may be especially true since an uprising of your own Praetorian Guard can occur at any time. Still the Western Empire lasted for almost three hundred years after the Antonines had passed from the scene, so we may still have a chance.[22] Certainly the studies conducted at the Center since 1973 have made it clear that we have lost ground on equity goals considerably since 1977.[23] In that light, we need to make very sure that any new reform in Illinois will not push us further from those goals, no matter how much the new reform may appeal on other-than-equity grounds.[24]

We have concluded from this investigation that the RCM is not to be construed as the barbarians coming over the walls to ravish the Vestal Virgins in the temple of Equity. To the contrary, the numbers make it clear that if the RCM were funded at the levels indicated in the Board's proposal, then progress would indeed be made toward equity goals. One should however be especially leary of an RCM that was not funded at the levels indicated. In a number of other states—New Jersey and Connecticut come immediately to mind—reforms that looked good on paper turned out to be not very helpful from an equity point of view when the state refused to fund at the levels required. We have indicated in this paper some permutations and combinations on the RCM that might increase the equity component slightly, but the models of the Center do not, frankly, add all that much to the attainment of equity goals. If the RCM does not look bad from an equity point of view, the other reform packages are something else. Some of the elements in the reform packages look good from an equity point of view but some do not. Each of these reform packages will have to be carefully inspected in order not to let the Goths into the Empire. To run the historical analogy totally into the ground, the last thing one wants to do now is to divide the Empire into East and West. And that could, unfortunately, very easily happen. If the RCM should get labelled as the "Board's Proposal," while one of the reform packages gets stuck with the appellation "Teacher's Proposal," we might as well open the gates and let the barbarians in. No one has proprietory rights over these reform proposals, not the professionals who think them up, not the legislators who introduce them, and certainly not the professors who criticize and editorialize on them from the impregnable walls of academia.

If we keep our eyes on the main chance. If we continually ask, does this particular reform advance "adequacy," or "equity," or even "efficiency," then like Constantine we may yet hold the empire together for a few generations longer.

Hoc signo vinces

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24. This is, of course, the advice you would expect from those of us who have been involved in the struggle for equity goals for many years. See on this point: Odden, Allan and Van Dougherty. Education Finance in the States: 1984. (Denver, CO: Education Commission of the States) 1984.

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TABLE 1

COMPARATIVE SIMULATION OF DISTRIBUTION OF FY 1984 STATE AID (GENERAL STATE AID AND CATEGORICALS) AND DISTRIBUTION OF STATE FUNDS RESULTING FROM STATE SUPERINTENDENT'S PRELIMINARY RECOMMENDATIONS

FORMULA AND COMPONENTS	COL. A FY 84 ACTUAL		COL. B SUPERINTENDENT'S PRELIMINARY RECOMMENDATIONS	
1. Flat Grant	Yes		No	
2. Effort Factor (*if required local effort)	1.90/1.10/2.92		1.67/1.39/2.75	
3. Property Tax Relief	No		No	
4. Formula Type	REF		FDN	
5. Wealth Measure	EAV		EAV .9/INC .1	
6. Distribution of Revenue by Geographic Region				
a. Chicago	(32.2)	$ 588,540,670	(34.8)	$ 882,811,005
b. Other Cook and Collar Counties	(26.8)	491,648,067	(26.1)	662,207,000
c. Remaining Downstate Counties	(38.3)	700,271,019	(39.1)	993,195,130
7. Distribution of State Revenue by District Type				
a. Elementary	(16.2)	296,045,596	(17.1)	433,461,324
b. High School	(10.8)	197,628,638	(8.1)	206,561,720
c. Unit minus Chicago	(38.1)	698,244,852	(40.0)	1,015,376,085
d. Special Education & Other	(2.7)	49,013,463		-0-
8. Number of Districts Receiving More/Less Revenue			882/117	
a. Elementary			387/43	
b. High School			72/51	
c. Unit			423/23	
9. Total Dollar Reductions			(26,128,673)	
a. Elementary			(4,811,851)	
b. High School			(17,372,073)	
c. Unit			(3,944,748)	
10. Total State Revenue		$1,829,473,221		$2,538,213,135
11. Increase/Decrease in Revenue				+708,739,914

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TABLE 2

SIMULATION OF CENTER MODEL A WITHOUT 50% LIMITATIONS

FORMULA AND COMPONENTS	MODEL A	
1. Flat Grant	No	
2. Effort Factor	Computational Effort scaled by Income	
3. Property Tax Relief	No--but could be built into Model	
4. Formula Type	Modified Strayer-Haig	
5. Wealth Measure	E.A.V.	
6. Distribution of Revenue by Geographic Region:		
Chicago	1,090,000,221	(34.7)
Other Cook and Collar	911,817,349	(29.0)
Remaining Downstate	1,141,506,638	(36.3)
7. Distribution of Revenue by District Type:		
Elementary	685,255,954	(21.8)
High School	180,720,106	(05.7)
Unit Minus Chicago	1,187,347,657	(37.8)
8. Number of Districts Receiving More or Less Money than Present Distribution:		
Total	825/187	
Elementary	368/70	
High School	49/77	
Units	408/40	
9. Total Dollar Reductions	45,524,891	
Elementary	8,518,327	
High School	31,150,660	
Unit	5,853,904	
10. Total State Revenue Required by Model A	3,143,323,938	
11. Total New Dollars Required by Model A	1,313,850,719	

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TABLE 3

SIMULATION OF CENTER MODEL A WITH 50% LIMITATION

COMPONENTS	MODEL A	
1-5. Same as in Table 2		
6. Distribution of Revenue by Geographic Region:		
Chicago	882,811,005	(35.4)
Other Cook and Collar	638,381,289	(25.6)
Remaining Downstate	972,763,702	(39.0)
7. Distribution of Revenue by District Type:		
Elementary	428,061,232	(17.2)
High School	180,285,885	(07.2)
Unit Minus Chicago	1,002,797,875	(40.2)
8. Number of Districts Receiving More or Less Money than Present Distribution:		
Total	825/174	
Elementary	368/62	
High School	49/74	
Unit	408/38	
9. Same as in Table 2		
10. Total State Aid Required by Model A-50	2,493,955,996	
11. Total New State Dollars Required by Model A-50	664,482,775	

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Table 4

COSTS OF GRANTS-IN-AID
(In millions of dollars)

Type of District	Resource Equalizer (No Change)		Board's Proposal		Center's Model A-50		Center's Model B-50	
	%	$	%	$	%	$	%	$
Elementary	(16.84)	305.2	(17.39)	451.7	(17.13)	427.1	(16.38)	433.1
High School	(10.35)	187.6	(8.85)	229.8	(7.22)	179.9	(10.83)	286.5
Unit	(72.81)	1,319.3	(73.76)	1,915.9	(75.65)	1,885.6	(72.79)	1,924.7
TOTAL		1,812.1		2,597.4		2,492.6		2,644.3

Table 5

WEALTH NEUTRALITY MEASURES
Using
EAV/ADA as Wealth and
(Local & State)/ADA as Expenditure

Formula	Elementary		High School		Unit	
	B	R^2%	B	R^2%	B	R^2%
Resource Equalizer	.31178	55.67	.34358	50.10	.15286	23.88
Board's Proposal	.16287	26.27	.23189	31.46	-.03068	1.37
Center's Model A-50	.15577	22.69	.25467	27.33	-.02420	0.89
Center's Model B-50	.15046	20.67	.15508	15.52	-.03368	1.38

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Table 6

CONDITIONAL WEALTH NEUTRALITY MEASURES
HOLDING OPERATING TAX RATE CONSTANT
Using
EAV/ADA as Wealth and
(Local & State)/ADA as Expenditure

Formula	Elementary		High School		Unit	
	B	R^2%	B	R^2%	B	R^2%
Resource Equalizer	.34721	63.86	.42303	78.50	.16146	37.01
Board's Proposal	.18629	32.47	.30032	60.51	-.02550	8.15
Center's Model A-50	.18860	34.49	.33650	56.62	-.01706	14.58
Center's Model B-50	.18133	30.87	.22602	49.25	-.02738	9.90

Table 7

WEALTH NEUTRALITY MEASURES
Using
EAV/ADA and Median Family Income as Wealth and
(Local & State)/ADA as Expenditure

Formula	Elementary		High School		Unit	
	b_1(EAV)	b_2(Income)	b_1(EAV)	b_2(Income)	b_1(EAV)	b_2(Income)
Resource Equalizer	.29050	.12118	.33078	.06571	.17370	-.14966
Board's Proposal	.15251	.05736	.22843	.01745	-.00399	-.19112
Center's Model A-50	.12828	.01527	.23949	.08043	-.01177	-.09141
Center's Model B-50	.12933	.12184	.14850	.03485	-.00803	-.18851

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Table 8

CONDITIONAL WEALTH NEUTRALITY MEASURES
Using
EAV/ADA and Median Family Income as Wealth and
Holding OTR Constant

Formula	Elementary		High School		Unit	
	b_1(EAV)	b_2(Income)	b_1(EAV)	b_2(Income)	b_1(EAV)	b_2(Income)
Resource Equalizer	.35645	-.04450	.46722	-.18060	.19806	-.25264
Board's Proposal	.19873	-.05876	.34975	-.20157	.01248	-.26077
Center's Model A-50	.18515	.01567	.37710	-.16800	.00800	-.17501
Center's Model B-50	.18566	-.01965	.27108	-.18645	.01139	-.27063

Table 9

EFFICIENCY OF FORMULA MEASURES
REGRESSION COEFFICIENTS
DEPENDENT: STATE AID/ADA
WEALTH MEASURE: EAV/ADA

Formula	Elementary		High School		Unit	
	B	R^2	B	R^2	B	R^2
Resource Equalizer	-1.21874	85.81	-1.36098	81.66	-1.47716	86.67
Board's Proposal	-0.93915	86.92	-1.22877	76.32	-1.17570	85.72
Center's Model A-50	-4.06264	48.80	-7.295	49.49	-4.09419	37.95
Center's Model B-50	-3.67086	46.01	-5.53170	49.52	-2.57794	33.53

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APPENDIX A

In his speech to the Illinois General Assembly on February 27, 1985, Governor James Thompson proposed an increase in appropriations for elementary and secondary schools of $330 million in new dollars. Of this amount $137 million would be for his proposed new reforms and $193 million for state aid to categorical grants. The new reforms proposed in this speech are outlined below:

--To provide a better atmosphere for learning and teaching, $4 million would be spent to combat drug and alcohol abuse in the schools and $13 million to establish a statewide alternative school system for students who have serious discipline problems.

--To pay for a plan for consolidation of schools, $1 million was proposed.

--To encourage well-qualified persons to enter and to remain in the teaching profession, $10 million would go to fund a statewide minimum salary of $15,000 for teachers. School districts would be required to establish programs of evaluation of teacher performance and $80 million over the next two years was proposed. Also proposed was the testing of new teachers for competency in language arts and in their subject matter area.

--To upgrade the curriculum of the schools, a plan to combat illiteracy would be funded by $44 million. Academies of mathematics and science, the life sciences, and agri-business, as well as upgrading instructional materials at all levels, would be funded by $27 million.

-- To establish a program for pre-school children, "Project Train" would be funded with $13 million.

-- Also proposed was testing proficiency in reading, mathematics, language arts and science for elementary and secondary students.

In a speech on February 28, 1985, the new Illinois Superintendent of Education, Ted Sanders, said:

> The Resource Cost Model offers hope for increasing equity and adequacy in funding programs, but is not yet sufficiently refined for statewide implementation and will be the subject of additional study.

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